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BUDGET VIEWS AND ESTIMATES FOR FISCAL YEAR 1983

A REPORT

SUBMITTED TO THE

BUDGET COMMITTEE

(Pursuant to Section 301(c) of Public Law 93-344)

PREPARED BY THE

COMMITTEE ON VETERANS' AFFAIRS

UNITED STATES SENATE

MARCH 8, 1982

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TITLE III—CONGRESSIONAL BUDGET PROCESS

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ADOPTION OF FIRST CONCURRENT RESOLUTION

SEC. 301. (a) ACTION TO BE COMPLETED BY MAY 15.—On or before May 15 of each year, the Congress shall complete action on the first concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth—

(1) the appropriate level of total budget outlays and of total new budget authority;

(2) an estimate of budget outlays and an appropriate level of new budget authority for each major functional category, for contingencies, and for undistributed intragovernmental transactions, based on allocations of the appropriate level of total budget outlays and of total new budget authority;

(3) the amount, if any, of the surplus or the deficit in the budget which is appropriate in light of economic conditions and all other relevant factors;

(4) the recommended level of Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

(5) the appropriate level of the public debt, and the amount, if any, by which the statutory limit on the public debt should be increased or decreased by bills and resolutions to be reported by the appropriate committees; and

(6) such other matters relating to the budget as may be appropriate to carry out the purposes of this Act.

(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The first concurrent resolution on the budget may also require—

(1) a procedure under which all or certain bills and resolutions providing new budget authority or providing new spending authority described in section 401(c)(2)(C) for such fiscal year shall not be enrolled until the concurrent resolution required to be reported under section 310(a) has been agreed to, and, if a reconciliation bill or reconciliation resolution, or both, are required to be reported under section 301(c), until Congress has completed action on that bill or resolution, or both; and

(2) any other procedure which is considered appropriate to carry out the purposes of this Act.

Not later than the close of the Ninety-fifth Congress, the Committee on the Budget of each House shall report to its House on the implementation of procedures described in this subsection.

(c) VIEWS AND ESTIMATES OF OTHER COMMITTEES.—On or before March 15 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, each standing committee of the Senate shall submit to the Committee on the Budget of the Senate, and the Joint Economic Committee and Joint Committee on Internal Revenue Taxation shall submit to the Committees on the Budget of both Houses—

(1) its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within the respective jurisdiction or functions of such committee or joint committee; and

(2) except in the case of such joint committees, the estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year.

The Joint Economic Committee shall also submit to the Committees on the Budget of both Houses, its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House or Senate may submit to the Committee on the Budget of its House, and any other joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within its jurisdiction or functions.

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LETTER OF TRANSMITTAL

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C., March 8, 1982.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to section 301(c) of the Congressional Budget Act of 1974, and the action of the Committee by a unanimous vote by poll following a March 3, 1982 meeting, the Committee on Veterans' Affairs is submitting the enclosed report to the Committee on the Budget. This report consists of views and estimates with regard to all programs included in Function 700 (Veterans' Benefits and Services) and four programs included in Function 500 (Education, Training, Employment and Social Services) of the Fiscal Year 1983 Federal Budget. In submitting this report, we wish to make certain observations and emphasize some specific items.

Having carefully reviewed the Administration's Fiscal Year 1983 Budget Request for Function 700—$25.63 billion in budget authority and $24.37 billion in outlays—which was submitted on February 8, 1982, the Committee recommends decreases of $422.6 million in budget authority and $508.9 million in outlays and certain realignments in the amounts budgeted for certain accounts. These decreases result from the Committee's use of Congressional Budget Office estimates for the entitlement accounts (missions 1 and 2)—$600.9 million less in budget authority and $687.2 million less in outlays and from the Committee's recommendation of $178.5 million less in budget authority and $178.2 million less in total outlays in legislative savings and receipts than the President has proposed.

It should be noted that the Committee rejects the Administration's proposal to save $165.4 million in fiscal year 1983 (out of total proposed legislative savings and receipts of $328.3 million) [1] by the action of reducing benefits to those veterans suffering from service-connected disabilities. The Administration's proposal would eliminate dependency allowances for those veterans receiving service-connected disability compensation at the 30 and 40 percent rate. In addition, it would eliminate increased subsistence allowances for dependency for service-connected disabled veterans participating in the Veterans' Administration's vocational rehabilitation program. Savings from these two items would amount to $135.3 million and $19.7 million respectively. The Committee feels that providing for the well-being of and

[1] It is noted that the VA's legislative proposals for cost-savings as submitted to the Congress fall $16.9 million short of the amount attributed to these proposals in the President's budget.

medical care for service-connected veterans is the very highest priority mission of the Veterans' Administration. Thus, the Committee has approved an alternative and more appropriate approach to achieving savings and receipts in Function 700.

The Committee would recommend, in lieu of the $328.3 million in legislative savings and receipts included in the President's budget for fiscal year 1983, a total of $150 million consisting of $70.7 million in specified cost savings measures and $79.3 million in presently unspecified savings and/or receipts.

The specified savings would include the following Administration proposals: First, delay the start of compensation and pension payments until the beginning of the first full month of entitlement, rather than starting on the first day of entitlement as under current law, for a fiscal year 1983 savings of $28.8 million; second, terminate compensation and pension dependency benefits at the end of the month in which dependency ceases, rather than at the end of the year as under current law, for a fiscal year 1983 savings of $3.2 million; and third, require that all pension benefit checks be "rounded down" to the next lower dollar rather than be issued in unrounded amounts as under current law, for a fiscal year 1983 savings of $10.8 million.

Other proposed specified savings, not proposed by the Administration, would result from enactment of the Administration-requested 8.1-percent compensation cost-of-living increase coupled with two modifications: "Rounding down" of all monthly benefits to the next lower dollar, rather than rounding up amount of 50 cents or more as under prior Congressional practice, and realigning dependents' allowances. The cost savings associated with these two proposals would be $27.9 million in fiscal year 1983.

The unspecified savings component of this proposal, $79.3 million, would be achieved through a combination of measures derived from some or all of the items in the following recommended list or others that may be proposed: (1) Eliminating the compensation "Q" award now paid by virtue of a 1968 "grandfathering provision" (section 4(b) of Public Law 90–493) to veterans with arrested, asymptomatic tuberculosis and no schedular service-connected disability rating for that condition; (2) placing a "user fee" on the VA home loan guaranty program, along the lines of the Administration proposal, but with the receipts to be deposited in the loan guaranty revolving fund and consideration of an exemption from the fee requirement for all service-connected disabled veterans or for all service-connected veterans and wartime veterans; (3) phasing out, as the Administration has proposed, pension benefits paid on behalf of dependent student-children of non-service-connected veterans enrolled in postsecondary education programs; (4) limiting the fiscal year 1983 cost-of-living increases in compensation dependent's allowances; (5) restricting the availability of over-the-counter medications and medical supplies in connection with non-service-connected outpatient care along the lines recommended by this Committee in May 1979 in S. 1039, and passed by the Senate in June 1979 in H.R. 3892; (6) restricting beneficiary travel benefits for non-service-connected veterans who are able to defray the cost of travel, as initially recommended by the Administration to be done administratively; and (7) eliminating the outpatient

dental care eligibility that was provided by a 1979 amendment (section 102(b) of Public Law 96–22) to section 612 of title 38 to veterans whose 100-percent disability ratings are due to individual unemployability determinations.

With respect to the Committee's recommendation—based on the Administration's proposal—of an 8.1 percent cost-of-living increase in service-connected compensation on benefits effective October 1, 1982, the Committee notes that the basis for this recommendation is the Committee's strongly held conviction that the fiscal year 1983 compensation percentage increase should be no less than the indexed percentage increase that will "automatically" be granted, effective June 1, 1982, to Social Security beneficiaries and VA non-service-connected pension recipients. Both the Administration and the Congressional Budget Office estimate that that increase will be 8.1 percent. Should the Social Security increase be at a different rate, the Committee's recommendation for funding of the compensation increase will need to be revised as appropriate.

With regard to the four Function 500 accounts, the Committee is in agreement with the President's fiscal year 1983 request. The veterans' employment programs funded under those accounts are designed specifically to assist veterans to find suitable employment in order that they may become productive participants in the society they fought to maintain.

In response to the request, stated in the February 8, 1982, letter from you and the ranking minority member of the Budget Committee, for information pertaining to programs under the jurisdiction of this Committee for the four succeeding fiscal years, this Committee has directed its majority and minority staff to develop and prepare an analysis of the future costs of veterans' programs during those years based on the Committee's recommendations for fiscal year 1983. That staff document is to be attached to the Committee's report.

The Committee wishes to emphasize that it has arrived at its recommendations after a thoroughgoing review of veterans' programs and extensive efforts to identify areas in which savings and economies could be achieved consistent with the Committee's commitment to the Nation's continuing to fulfill its obligations to its veterans and their survivors, and particularly to service-connected disabled veterans and veterans of wartime service.

These views and estimates reflect the Committee's best judgment as of this date. If we or the Committee staff may be of further assistance in your consideration of this report, please feel free to call upon us.

Sincerely,

ALAN K. SIMPSON,
Chairman.

ALAN CRANSTON,
Ranking Minority Member.

Enclosure.

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BUDGET VIEWS AND ESTIMATES FOR FISCAL YEAR 1983

I. Overview

During this century, our Nation has been involved in two world wars, three major conflicts, and a number of incidents in which United States military personnel have been exposed to hostile fire. In addition, the realities of international affairs since the end of World War II have required the Nation to maintain a high state of military preparedness to defend our territorial integrity and our national interests abroad. During such times of conflict and tension, millions of Americans have served in our Armed Forces.

There are over 30 million veterans of service in the Nation's Armed Forces, of whom 28 million are veterans of wartime service. In this century, more than 715,000 have died in service, and additional thousands have died from service-connected causes after leaving active duty. There are more than 354,000 survivors of those who died in service or from service-connected causes, and there are over 2 million living veterans with service-connected disabilities of whom 135,000 are totally disabled.

In recognition of the sacrifices made and hardship incurred by our Nation's veterans, and of their invaluable service to our national defense and security, the major programs under the jurisdiction of the Committee on Veterans' Affairs serve a wide range of purposes. Those purposes include compensating those who have suffered injury or disease in line of duty for loss of earning capacity, providing them with the best possible health care and rehabilitation services, and helping to meet the financial, education, training, and certain other essential needs of the surviving dependents of those who died in service or as a result of service-connected causes. Readjustment assistance—primarily educational benefits under the GI Bill and employment assistance—is provided to veterans of wartime service for the purposes of compensating them for losses of educational and employment opportunities during their active-duty service and helping them make a successful, productive readjustment to civilian life. In addition, the VA pension program provides income assistance to needy, non-service-connected disabled and elderly wartime veterans and the needy survivors of wartime veterans for the purpose of affording them a reasonable measure of security so they can live their lives in dignity.

In order to meet the non-service-connected health-care needs of poor and elderly veterans and help assure that the VA's nationwide system of health-care facilities operates at workload levels necessary to maintain proficiency and cost-effectiveness, certain health-care eligibility is generally provided veterans who do not have service-connected disabilities.

Veterans' programs serve to express tangible and constructive ways the debt which the Nation owes to those whose service has kept it stronge, free, and safe from invasion during a century in which powerful military forces have often threatened the security of our people. In this Committee's view, it is essential that these programs be accorded the same high priority as that attached to the national needs which our veterans have met and that this priority continue undiminished during times of peace secured through the service and sacrifices of those veterans.

At a time when the national government faces difficult choices among competing and legitimate demands upon its resources, this Committee recognizes the necessity for continued close scrutiny of all parts of the Federal budget, and has approved substantial legislative savings in the VA budget for fiscal year 1983, in an effort to shoulder our fair share of Congressional efforts to bring under control the economic problems now confronting this Nation. The Committee has closely examined each component part of the programs under its jurisdiction in order to make certain that its recommendations are consistent with the obligation to sustain essential programs and with the need for budgetary restraint. As a consequence, some worthwhile improvements in veterans' programs are not provided for in these recommendations. In the only area in which the Committee has determined that the President's proposed budget levels are inappropriate—the area of legislative savings and receipts—the Committee gave the President's position full consideration and has proposed an alternative approach that avoids what the Committee considers to be too massive a reduction in the benefits payable to service-connected disabled veterans.

To provide adequate funds for these programs, the Committee recommends $25.209 billion in budget authority and $25.858 billion in outlays for fiscal year 1983 in Function 700 (Veterans' Benefits and Services). These figures represent a substantial increase over the fiscal year 1982 budget and are necessary to insure the continuation and quality of the many essential programs undertaken by the Veterans' Administration.

At the outset of this report are summary tables which indicate the Committee's recommendations for budget authority and outlays in Function 700. Following these tables, the Committee has provided its views and estimates which include comparisons of its recommendations with those of the President. Finally, there is appended to this report a staff analysis of projected Function 700 requirements for fiscal years 1984–1987, as requested by the Budget Committee.

FUNCTION 700—VETERANS' BENEFITS AND SERVICES, FISCAL YEAR 1983

TABLE 1.—BUDGET AUTHORITY

[In thousands of dollars]

Subfunction and program	Committee recommendations	Difference from President's request
701—Income security for veterans:		
Service-connected compensation	[1] 9,627,501	[1] +106,900
Administration-proposed legislation:		
8.1 percent cost-of-living increase (effective Oct. 1, 1982)	779,800	[1] +8,800
Delay payment to 1st full month of entitlement	−9,000	
Terminate dependents' allowance at end of month in which change occurs	−1,400	
Eliminate dependents' allowance for less than 50-percent disabilities		+135,300
Committee-proposed legislation: Round down benefits/realine dependents' allowances	−27,900	−27,900

FUNCTION 700—VETERANS' BENEFITS AND SERVICES, FISCAL YEAR 1983

TABLE 1.—BUDGET AUTHORITY—Continued

[In thousands of dollars]

Subfunction and program	Committee recommendations	Difference from President's request
Non-service-connected pension	[1] 3,486,900	[2] −490,700
Administration-proposed legislation:		
Round down benefit checks amounts	−10,800	
Delay payment to 1st full month of entitlement	−19,800	
Terminate dependents' allowances at end of month in which change occurs	−1,800	
Amend definition of dependent child		[2] +30,300
Burial benefits and miscellaneous assistance	147,400	[2] +6,400
Insurance programs:		
Veterans' insurance and indemnities	8,500	[2] +2,100
National Service Life Insurance (NSLI)	1,174,200	[2] −82,300
U.S. Government life insurance (USGLI)	29,100	[2] −675
NSLI and USGLI receipts	−470,023	
Subtotal, income security for veterans	14,712,671	−311,775
702—Veterans' education, training, and rehabilitation:		
Readjustment benefits	[1] 1,539,700	[3] −151,400
Administration-proposed legislation:		
Eliminate correspondence training benefits		+5,600
Eliminate subsistence allowance for vocational rehabilitation dependents		+19,700
Post-Vietnam era vererans' education account	174,400	
Post-Vietnam era veterans' education receipts	−174,400	
Subtotal, veterans' education, training, and rehabilitation	1,539,700	−126,100
703—Hospital and medical care for veterans:		
Medical care	7,495,879	
Administration-proposed legislation: Eliminate parking facilities revolving fund and provide appropriation to medical care account	4,692	
Medical and prosthetic research	147,793	+10,000
Medical administration and miscellaneous operating expenses	57,807	+2,000
Construction	599,505	−12,000
Grants for construction of State extended care facilities	18,000	
Grants to the Republic of the Philippines	500	
Subtotal, hospital and medical care for veterans	8,324,176	
704—Veterans' housing		
705—Other veterans' benefits and services:		
General operating expenses	[1] 693,582	
Administration-proposed legislation:		
Eliminate inspections regarding vocational objective courses	−223	
Construction adjacent to national cemeteries	100	
Grants for construction of State veterans' cemeteries	2,500	
General post fund	8,100	
Other independent agencies: American Battle Monuments Commission	10,669	
Subtotal, other veterans' benefits and services	714,728	
Deduction for offsetting receipts	[4] −3,056	+94,640
Deduction for unspecified legislative savings/receipts	−79,300	−79,300
Total, veterans' benefits and services	25,208,919	−422,535

[1] This figure is compared with the President's request as increased by the amount of legislative cost-savings assumed by the President in his appropriations request because proposed legislation is itemized separately in this table.

[2] This difference is attributable to the committee's acceptance of the Congressional Budget Office estimate for this program as currently authorized.

[3] The administration's proposed legislation as submitted to the Congress is $16,900,000 less than this amount.

[4] Administration-proposed legislation to impose a 0.5-percent loan processing fee would, by administration estimates, produce $94,600,000 in receipts in fiscal year 1983.

TABLE 2.—OUTLAYS

[In thousands of dollars]

Subfunction and program	Committee recommendations	Difference from President's request
701—Income security for veterans:		
Service-connected compensation	[1] 9,619,700	[2] +10,600
Administration-proposed legislation:		
8.1-percent cost-of-living increase (effective Oct. 1, 1982)	717,400	[2] +10,600
Delay payment to 1st full month of entitlement	−9,009	
Terminate dependents' allowance at end of month in which change occurs	−1,400	
Eliminate dependents' allowance for less than 50-percent disability		+135,300
Committee-proposed legislation: Round down benefits/realine dependents allowances	−27,900	−27,900
Non-service-connected pension	[1] 3,490,300	[2] −586,500
Administration-proposed legislation:		
Round down benefit checks amounts	−10,800	
Delay payment to 1st full month of entitlement	−19,800	
Terminate dependents' allowances at end of month in which change occurs	−1,500	
Amend definition of dependent child		[3] +30,00
Burial benefits and miscellaneous assistance	146,800	[2] +6,000
Insurance programs:		
Veterans' insurance and indemnities	8,500	[2] +2,100
Service disabled veterans' insurance fund	−2,000	
Veterans Reopened Insurance fund	−18,400	
National Service Life Insurance (NSLI)	1,027,400	[2] +36,600
U.S. Government life insurance (USGLI)	57,700	[2] −2,300
Veterans Special Life Insurance fund	−48,500	[2] +500
NSLI and USGLI receipts	−470,029	
Subtotal, income security for veterans	14,458,471	−384,700
702—Veterans' education, training, and rehabilitation:		
Readjustment benefits	[1] 1,561,000	[2] −145,100
Administration-proposed legislation:		
Eliminate correspondence training benefits		+5,600
Eliminate subsistence allowance for vocational rehabilitation dependents		+19,700
Education loan fund	−4,950	[2] +910
Post-Vietnam era veterans' education account	35,300	[2] −20,600
Post-Vietnam era veterans' education receipts	−174,400	
Vocational rehabilitation revolving fund	185	
Subtotal, veterans' education, training, and rehabilitation	1,417,135	−139,280
703—Hospital and medical care for veterans:		
Medical care	7,364,132	
Administration-proposed legislation: Eliminate parking facilities revolving fund and provide appropriation to medical care account	4,692	
Medical and prosthetic research	147,644	+10,000
Medical administration and miscellaneous operating expenses	57,775	+2,000
Construction	502,303	−12,000
Grants for construction of State extended care facilities	9,527	
Grants to the Republic of the Philippines	500	
Assistance for health manpower training institutions	21,868	
Special therapeutic and rehabilitation activities fund	−77	
Subtotal, hospital and medical care for veterans	8,108,364	
704—Veterans' housing:		
Loan guaranty revolving fund	−573,048	
Direct loan revolving fund	−182,983	
Subtotal, veterans' housing	−756,031	
705—Other veterans' benefits and services:		
General operating expenses	[1] 691,546	
Administration-proposed legislation:		
Eliminate inspections regarding vocational objective courses	−223	
Construction adjacent to national cemeteries	100	
Grants for construction of State veterans' cemeteries	5,000	
Canteen service revolving fund	−1,793	
General post fund	7,400	
Other independent agencies: American Battle Monuments Commission	10,581	
Subtotal, other veterans' benefits and services	712,614	
Deduction for offsetting receipts	[4] −3,056	+94,640
Deduction for unspecified legislative savings/receipts	−79,300	−79,300
Total, veterans' benefits and services	23,858,197	−508,820

[1] This figure is compared with the President's request as increase by the amount of legislative cost-savings assumed by the President in his appropriations request because proposed legislation is itemized separately in this table.

[2] This difference is attributable to the committee's acceptance of the Congressional Budget Office estimate for this program as currently authorized.

[3] The administration's proposed legislation as submitted to the Congress is $16,900,000 less than this amount.

[4] Administration-proposed legislation to impose a 0.5-percent loan processing fee would, by administration estimates, produce $94,600,000 in receipts in fiscal year 1983.

II. Narrative Statement on Spending Requirements

A. Mission One: Income Security (Subfunction 701)

1. SERVICE-CONNECTED COMPENSATION PROGRAMS

(a) Purposes

The VA's disability compensation program provides monthly cash payments to veterans who, because of service-connected disability, have suffered impairments of earning capacity. The amount paid in individual instances is contingent upon the nature of the veteran's disability, or combination of disabilities, and the extent to which earning capacity is deemed to have been impaired. The VA expects that the number of veterans receiving this benefit in fiscal year 1983 will increase by 6,550 from fiscal year 1982 levels—from 2,283,850 to 2,290,400.

Dependency and indemnity compensation (DIC) benefits are payable to the surviving spouse and children of a veteran whose death occurs during active duty or as a result of service-connected causes. This benefit is intended to compensate for the loss of family income, and individual benefits in the DIC program for surviving spouses are contingent upon the military pay grade of the person upon whose death the entitlement is predicated. DIC benefits are also payable to the needy surviving parents of a veteran whose death is service connected. Benefits, paid at DIC rates, are also provided for the surviving spouses and children of totally disabled veterans whose deaths are not service connected. The VA expects that the number of survivors receiving this benefit in fiscal year 1983 will decline by 830 from fiscal year 1982 levels—dropping from 354,000 to 353,570.

(b) Estimated fiscal year 1983 cost of programs as currently authorized

The Administration's fiscal year 1983 budget estimates for the service-connected compensation program at current benefit levels anticipate total requirements of $9.521 billion in budget authority and $9.609 billion in outlays. The Congressional Budget Office (CBO) estimates are $107 million more in budget authority and $11 million more in outlays. The Committee accepts the CBO estimates.

(c) Program changes

(1) Administration proposals

Cost-of-living increases.—The President has recommended legislation providing for a cost-of-living increase of 8.1 percent in disability compensation and DIC rates, effective October 1, 1982. The recommended rate-increase percentage is based on the economic assumptions in the President's budget. The proposed increase is estimated by the Administration to have a fiscal year 1983 cost of $771 million in budget authority and $706.8 million in outlays.

Compensation amendments.—Also contained in the President's proposed "Veterans' Disability Compensation and Survivors' Benefits Amendments of 1982" are the following three fiscal year 1983 cost-

savings measures. The first would increase from 30 percent to 50 percent the level of disability required for the payment of dependents' allowances, for projected cost savings of $135.3 million in fiscal year 1983. The second cost-saving proposal would provide that the period of payment of compensation benefits shall commence on the first day of the month following the month in which the award became effective. Currently, payments for entitlement are made from the effective date, which varies according to the circumstance of the claim. Cost savings associated with this measure are estimated to be $9 million in fiscal year 1983. The third proposal would change the effective date for the reduction of benefits by reason of a change in dependency status from the end of the year to the end of the month in which the change occurred. Cost savings associated with this measure are estimated to be $1.4 million in fiscal year 1983.

One final Administration proposal in the compensation account is not proposed to take effect until fiscal year 1984. It would provide that when a veteran who is rated between 60 and 90 percent disabled is receiving compensation at the 100 percent rate on the basis of a determination of individual "unemployability," and is also receiving benefits under other Federal disability and retirement programs, such as Social Security disability insurance benefits, supplemental security income, black lung disability benefits, railroad retirement, or civil service retirement, the veterans' unemployability benefits would be reduced by the amount of such other Federal benefits received, but in no event lower than the amount of scheduled disability compensation to which the veteran would be entitled in the absence of an unemployability rating. Estimated fiscal year 1984 cost savings associated with this measure would be $282.5 million. Although the Administration seeks enactment of this proposal this year, it has requested an October 1, 1983, effective date, in order to allow "sufficient lead time" to promulgate the necessary regulations, identify and notify affected beneficiaries, and take other steps necessary to implement the change.

(2) *Committee proposals*

Cost-of-living increases.—The Committee's policy has been to recommend annual adjustments in compensation and DIC rates in order to counter the effects of inflation on the purchasing power of the dollars paid to beneficiaries. It has been and is the Committee's policy that the cost-of-living increase in compensation and DIC effective on the first day of the fiscal year should be no less than the indexed cost-of-living increase that Social Security and VA pension beneficiaries automatically receive effective 4 months earlier.

In accordance with the foregoing Committee policy and subject to appropriate revision in the event that the June 1, 1982, Social Security/VA pension increase is not 8.1 percent, as the Administration and CBO both estimate, the Committee accepts the President's recommendation for an 8.1 percent cost-of-living increase in fiscal year 1983.

CBO estimates the cost to be $779.8 million in budget authority ($8.8 million more than the Administration's estimate) and $717.4 million in outlays ($10.6 million more than the Administration's estimate). The Committee accepts the CBO estimate but would note that, as discussed below, the Committee's recommended modifications of the cost-of-

living increase legislation would reduce this cost by $27.9 million in both budget authority and outlays.

Compensation amendments.—The Committee accepts the Administration's proposals to delay payment of compensation benefits until the first full month of entitlement and to change the end-of-year rule for dependency status changes to an end-of-month rule. These changes are equitable and appropriate in these times of tight budgetary constraints and are designed to minimize the impact on affected recipients. The former would postpone the commencement of payments, by an average of approximately 2 weeks, but would not affect the effective date of the compensation award for any other purpose. The latter would eliminate the continuation of benefits, for as long as an additional 11 months, for a condition that has ceased to exist. This change is viewed by the Committee as a reasonable and appropriate means of conforming the period of payment more closely to the period of actual entitlement.

The Committee rejects the proposal to reduce fiscal year 1983 spending by $135.3 million by eliminating payments for dependents of veterans with service-connected disabilities rated at 30 percent and 40 percent. In addition, the Committee does not accept at this time the proposed fiscal year 1984 restriction of compensation benefits based on unemployability, and, as noted below in part 3(b)(2) of the discussion of Mission Two, does not accept the proposed fiscal year 1983 change in vocational rehabilitation dependents' allowances payable to service-connected disabled veterans.

The Committee strongly believes that benefits for service-connected disabled veterans are and should continue to be the highest priority for the Veterans' Administration, and should not be subject at this time to reductions of this magnitude. The Committee also believes that the Congress as a whole is of the same view and that it is most unlikely that such legislation would be enacted during the present Congress. However, the Comittee, recognizing the great need to restrain Federal spending in all areas to the maximum extent feasible, has decided to continue exploring possible alternative measures of more restricted scope for fiscal year 1983 cost savings within the VA compensation program. Thus, the Committee's recommendation of $79.3 million in unspecified legislative savings (discussed at Section III, below) includes consideration of the possibility of further limiting the fiscal year 1983 cost-of-living increase for dependents' allowances, and of eliminating the compensation "Q" award now paid by virtue of a 1968 "grandfathering provision" (section 4(b) of Public Law 90–493) to veterans with tuberculosis that was found to be completely arrested on or before August 19, 1968.

In addition, the Committee plans to achieve cost savings of $27.9 million in both budget authority and outlays through two modifications in the Administration-proposed cost-of-living increase. First, the Committee intends, in computing the increased monthly benefit amounts, to round down all figures to the next lower dollar. Under the Administration's proposal and prior Congressional practice, monthly benefit amounts are rounded upward to the next higher dollar amount where the percentage increase yields an unrounded amount of 50 cents or more.

Second, the Committee recommends a realignment of veterans' dependents' allowances. Under current law, there are minor misalign-

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ments in dependents' allowance amounts: For example, a married veteran under the Administration's proposal would receive $40 per month for his or her second child, $43 per month for a third child, and $41 for a fourth child. Under the Committee's proposed realignment, the allowance for one child would be $50 per month and the allowance for each additional child would be $40 per month.

2. NON-SERVICE-CONNECTED PENSION PROGRAMS

(*a*) *Purposes*

VA pension programs provide need-based income-security benefits to wartime veterans who are totally and permanently disabled from non-service-connected causes or age 65 or over and to the needy surviving spouses and children of wartime veterans.

The Administration is projecting a decrease of 31,000—from 851,000 to 820,000—in the number of veterans receiving pension in fiscal year 1983, and a decrease of 52,000—from 995,000 to 943,000—in the number of survivors.

Pensioners under the new pension program established, effective January 1, 1979, by Public Law 95–588 are scheduled to receive an automatic cost-of-living increase identical to the social security increase that is provided effective June 1, 1982.

(*b*) *Estimated fiscal year 1983 cost of programs as currently authorized*

The Administration's fiscal year 1983 budget estimates for non-service-connected pensions under current law anticipate total requirements of $3.978 billion in budget authority and $4.077 billion in outlays. The CBO estimates are $3.487 billion in budget authority and $3.49 billion in outlays—$491 million less in budget authority and $587 million less in outlays. The Committee accepts the CBO estimates.

(*c*) *Program changes*

(*1*) *Administration proposals*

In the proposed "Veterans' Disability Compensation and Survivors' Benefits Amendments of 1982" referred to above in the discussion of compensation programs, the President has requested four legislative changes in VA pension programs. Two of them—delaying the payment of benefits until the first full month of entitlement and changing the end-of-the-year rule for dependency status to an end-of-the-month rule—would have the same substantive impact on the pension program as the two similar proposed compensation changes discussed above. In fiscal year 1953, the Administration estimates that the provision delaying the payment of benefits would result in cost-savings of $19.8 million in both budget authority and outlays, and that the enactment of the end-of-the-month rule would result in cost-savings of $1.8 million in budget authority and $1.5 million in outlays. The third proposed change would require the amount of benefit checks to be rounded down to the next lower dollar, for estimated cost-savings in fiscal year 1983 of $10.8 million.

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The fourth and final proposed change would amend the definition of "child" for purposes of pension to eliminate payments for dependent and surviving children who have reached the age of 19 and are attending secondary school, and for dependent and surviving children who are between the ages of 18 and 22 and pursuing postsecondary education. Students enrolled in approved courses as of September 1982 would continue to receive benefits at rates that would be reduced each year and would be completely phased out by the beginning of fiscal year 1986. In the budget materials submitted to the Congress on February 8, 1982, the Administration projected that cost-savings associated with this measure would be $30.3 million. However, in a February 19, 1982, letter accompanying the Administration's draft legislation, this estimate was revised downward to $13.4 million in fiscal year 1983.

(2) *Committee proposals*

For the reasons set forth in the discussion of compensation programs, above, the Committee accepts the Administration's proposals to delay the starting date of benefit payments and to change the end-of-the-year rule to an end-of-the-month rule. The Committee also accepts the Administration's proposal to round down the amount of monthly pension benefit payments to the next lower dollar. The effect of this proposal on individual beneficiaries would be an average reduction of $6 per year, and in no event more than $12 per year. This change would be consistent with the recent amendment of the Social Security Act in the Omnibus Reconciliation Act of 1981, Public Law 97–35, relating to the computation of Social Security benefits.

The Committee does not agree at this time, however, to accept the Administration's proposal to amend the definition of dependent child. The Committee notes that although Social Security survivors' benefits were similarly restricted last year in Public Law 97–35, such a precedent is not entirely apposite, because VA pension is a strict needs-based benefit. Nevertheless, the Committee does not wish to preclude further consideration of this proposed legislation, and has included it among the list of potential legislative cost-saving measures that it will consider in achieving the target of $79.3 million in unspecified legislative savings.

3. INSURANCE PROGRAMS

(*a*) *Purposes*

Mission 1 accounts provide for several insurance programs meeting the income-security needs of veterans and their families.

Eight separate programs have been established to meet the special needs of the Nation's service personnel and veterans for life insurance protection. The VA directly administers five of these programs and supervises three other programs that are administered by commercial insurance companies under contract. The programs are as follows:

Programs administered by the VA:

(1) U.S. Government life insurance (USGLI), for veterans of service during World War I;

(2) National Service Life Insurance (NSLI), for veterans of service during World War II;

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(3) Veterans Special Life Insurance (VSLI), for veterans of service during the period 1951–1957;

(4) Service disabled veterans' insurance (SDVI), nonparticipating insurance at standard rates for service-connected disabled veterans; and

(5) Veterans Reopened Insurance (VRI), for veterans who reapplied for insurance in 1965–1966 under certain reopened insurance programs.

Programs supervised by the VA:

(1) Servicemen's Group Life Insurance (SGLI), for active duty and reserve service personnel;

(2) Veterans' Group Life Insurance (VGLI), non-renewable 5-year term insurance available to veterans discharged after August 1, 1974, in the amount of SGLI insurance coverage maintained while on active duty; and

(3) Veterans Mortgage Life Insurance (VMLI), for certain severely disabled veterans who receive specially adapted housing grants.

With the exception of administrative costs which are generally covered by VA's general operating expenses account, the various insurance programs are completely self-supporting through premium receipts and interest income on investments.

(b) Budget estimates for programs as currently authorized

The Administration's fiscal year 1983 budget for the various insurance accounts as currently authorized anticipates total requirements of $822.6 million in budget authority and $517.8 million in outlays. The CBO estimates are $1,211.8 million in budget authority and $859.1 million in outlays, exclusive of NSLI and USGLI receipts. The Committee accepts the CBO estimates.

4. BURIAL BENEFITS AND MISCELLANEOUS ASSISTANCE

Mission 1 also includes burial benefits, and certain miscellaneous benefits, including special benefits to certain emergency officers of World War I, annual clothing allowance, certain devices such as invalid lifts for service-connected disabled veterans, death gratuities, and soldiers' and sailors' civil relief. Burial benefits are estimated by the VA to increase from $129.1 million in fiscal year 1982 to $133.3 million in fiscal year 1983. The fiscal year 1982 level reflects changes made by the enactment of the "Omnibus Budget Reconciliation Act of 1981" (Public Law 97–35), which generally restricted the $300 burial allowance to veterans in receipt of, or entitled to, VA compensation or pension. This reduction was slightly offset by other workload increases in areas such as burial plots, flags, headstones/markers, and by greater government contribution to Veterans' Mortgage Life Insurance. Other related miscellaneous assistance is estimated to decrease by $9.8 million, primarily due to the administrative transfer of Invalid Lifts and Devices to Medical Care Appropriations in fiscal year 1983.

In total, the Administration estimates that the fiscal year 1983 costs of burial benefits and miscellaneous benefits as currently authorized will be $141 million in budget authority and $140.8 million in outlays.

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The CBO estimate is $147.4 million in budget authority and $146.8 million in outlays. The Committee accepts the CBO estimate.

B. Mission Two: Veterans' Education, Training, and Rehabilitation (Subfunction 702)

1. PURPOSES

Readjustment benefits consist of various types of educational and vocational assistance for eligible veterans, dependents, and survivors. The main purposes of such assistance are to help the veteran readjust to civilian life in a productive capacity, to compensate the veteran for the loss of educational or vocational opportunities during the veteran's period of service to the Nation, and to provide vocational rehabilitation opportunities to service-connected disabled veterans whose ability to obtain employment has been impaired as a result of disability. In addition, GI Bill benefits have served as a very significant recruitment device for the armed services. The GI Bill also provides for educational assistance to the dependents of veterans with permanent and total disabilities and to the survivors of those whose deaths are service connected. The purposes of such assistance to these survivors and dependents are to compensate for the service-connected impairment of the veteran's ability to bear the cost of education or his or her family members and, in the case of the veteran's death, to assist the surviving spouse in attaining economic self-sufficiency.

Vocational rehabilitation opportunities for the purposes of restoring employability and employment lost by reason of disability are provided to service-connected disabled veterans under chapter 31 of title 38, United States Code. Under chapter 34 of title 38, educational assistance is provided to eligible veterans and servicepersons who entered the service prior to January 1, 1977, and are otherwise eligible, in order to assist them in their readjustment to civilian life following military service. Under chapter 32 of title 38, post-Vietnam-era veterans (those entering the service after December 31, 1976, and otherwise eligible) are entitled to participate in an educational assistance program wherein participants contribute from $25 to $100 of their monthly military pay; these contributions are then matched by the Department of Defense on a two-for-one basis and paid in equal monthly installments when the veteran enrolls in an approved course of education. Survivors and dependents of veterans whose deaths result from service-connected disabilities are eligible for educational assistance under chapter 35 of title 38.

During fiscal year 1981, more than $2.332 billion was expended under all VA educational and vocational assistance programs to more than 1.081 million participants. Of this total, approximately 95,000 were spouses, surviving spouses, sons, and daughters receiving benefits under chapter 35, and approximately 30,000 were veterans enrolled in vocational rehabilitation programs under chapter 31.

During fiscal year 1982, the President's budget estimates that $1.994 billion will be expended for the training, education, and rehabilitation of more than 969,000 servicepersons, veterans, dependents and survivors. This represents a decline of almost 112,000 trainees, and $405 million in estimated budget authority from fiscal year 1981 levels.

2. ESTIMATED FISCAL YEAR 1983 COST OF PROGRAMS AS CURRENTLY AUTHORIZED

The Administration's enrollment estimates for fiscal year 1983 project continuing declines from estimated levels for fiscal year 1982 by 157,680 trainees.

The Administration's fiscal year 1983 budget estimates anticipate total requirements for education, training and rehabilitation programs as currently authorized of $1.691 billion in budget authority and $1.582 billion in outlays. The CBO estimates are $1.540 in budget authority and $1.561 billion in outlays. The Committee accepts the CBO estimates.

3. PROGRAM CHANGES

(*a*) *Administration proposals*

(1) *Termination of correspondence training.*—The President's budget reflects the Administration's recommendation that the entitlement to GI Bill benefits eligibility for pursuit of correspondence training programs be terminated effective October 1, 1982. The Administration estimates that fiscal year 1983 savings for enactment of this proposal would be $5.6 million in both budget authority and outlays. Similar legislative action was recommended for fiscal years 1977, 1978, 1979, 1980, 1981, and 1982.

(2) *Vocational rehabilitation.*—The Administration proposes that legislation be enacted to eliminate the dependents' allowance that is payable to veterans participating in the VA vocational rehabilitation program, effective October 1, 1982. The Administration estimates that fiscal year 1983 savings for enactment of this proposal would be $19.7 million in both budget authority and outlays.

(*b*) *Committee proposals*

(1) *Correspondence training.*—The Committee does not accept the Administration's proposal to eliminate correspondence training benefits in fiscal year 1983. On October 17, 1980, legislation was enacted, Public Law 96–466, reducing from 90 percent to 70 percent the portion of the cost of a correspondence course to be reimbursed by the VA. Last year, the reimbursement rate was again reduced by Public Law 97–35 (signed into law on August 13, 1981) from 70 percent to 55 percent, effective October 1, 1981. The 1980 and 1981 changes were adopted by the Committee as an alternative to the termination proposed by the Administration. Finally, despite the above authorizing provisions contained in Public Law 97–35, the VA has construed a rider in the Department of Housing and Urban Development-Independent Agencies Appropriations Act for fiscal year 1982 (Public Law 97–101) as precluding payments, from funds made available by that measure, for correspondence training benefits except for eligible veterans who were enrolled in correspondence training as of September 30, 1981, and remain continuously thereafter so enrolled. Without regard to the merits of the correspondence training program and

the Administration's proposal to terminate it, the Committee is concerned that an entitlement program has been closed to new enrollments and thereby effectively terminated for the duration of fiscal year 1982 by language contained in an appropriations act, contrary to an authorizing provision in Public Law 97–35, which took effect at the beginning of that same fiscal year. The Committee has endorsed and sought the House of Representatives' agreement to the inclusion of language in S. 266, the Veterans' Administration and Department of Defense Health-Care Resources Sharing Act, that would overturn the VA's interpretation of the appropriations rider by providing that termination or restriction of the correspondence training program shall be accomplished only through a provision enacted in express limitation of section 1786(a) of title 38. In light of this situation, the Committee does not at this time accept the Administration's proposal to terminate correspondence training.

(2) *Vocational rehabilitation.*—The Committee does not accept the Administration's proposal to eliminate the dependents' allowance for veterans participating in the VA vocational rehabilitation program. Under chapter 31 of title 38, United States Code, the VA is authorized to provide training and rehabilitation for veterans with service-connected disabilities. Section 1500 of title 38 provides that "The purposes of this chapter are to provide for all services and assistance necessary to enable veterans with service-connected disabilities to achieve maximum independence in daily living and, to the maximum extent feasible, to become employable and obtain and maintain suitable employment." The Committee strongly supports those purposes. As set forth in the discussion of the Administration's proposed compensation amendments in the discussion of service-connected compensation programs, above, the Committee strongly believes that benefits for service-connected disabled veterans are and should continue to be the highest priority of the VA. The Committee also believes that Congress as a whole is of the same view and would be most unlikely to pass such legislation.

(3) *GI Bill.*—As previously noted, the Veterans' Administration administers four educational programs for service personnel, veterans, and dependents. The first, under chapter 31 of title 38, United States Code, provides vocational rehabilitation training for service-connected disabled veterans. The second, under chapter 32, is a contributory education program designed for individuals entering military service for the first time on and after January 1, 1977. The third, under chapter 34 and generally known as the GI Bill, applies to veterans entering service between February 1, 1955, and January 1, 1977. The fourth, under chapter 35, provides educational assistance for certain children, spouses, and surviving spouses of certain veterans.

In the First Session of the present Congress, this Committee held extensive hearings on proposals for a new GI Bill to replace the present Post-Vietnam-Era Veterans' Educational Assistance Program authorized under chapter 32 of title 38. Prior to receiving the Administration's proposal for a new GI Bill, expected later this year, the Committee does not expect to take any further action with regard to new GI Bill legislation.

C. Mission Three: Hospital and Medical Care (Subfunction 703)

1. PURPOSES

The VA's Department of Medicine and Surgery (DM&S) administers a national hospital and medical system for the purposes of providing "a complete medical and hospital service . . . for the medical care and treatment of veterans" (38 U.S.C. 4101(a)). In order to carry out this primary function more effectively, DM&S is charged by statute with two secondary missions: To assist in providing an adequate supply of health manpower to the Nation through the development of education and training programs (section 4101(b)); and to carry out programs in biomedical and health-care research to contribute to the Nation's knowledge about disease and disability (section 4101(c)). The VA health-care system, then, is more than a provider of health care. It is an integrated national system of teaching hospitals, general and specialty clinics, research centers, nursing homes, and other facilities providing a broad range of inpatient and outpatient health-care services to the Nation's 30.1 million eligible veterans.

Moreover, the VA hospital and medical system is the first backup to the relatively meager medical resources available to the Department of Defense in the event of war, and represents a vital link in the military preparedness of our Nation, a fact clearly recognized in Defense Department contingency planning.

The VA provides health-care services through 172 hospitals, 228 outpatient clinics, 92 nursing homes, and 16 domiciliary facilities. In certain circumstances, the VA contracts for care where VA facilities are unavailable. The VA also assists in the construction, maintenance, and operation of certain State veterans' facilities.

2. ESTIMATED COST OF PROGRAMS AS CURRENTLY AUTHORIZED

(a) Administration requests

The Administration's fiscal year 1983 request for the medical care account is $7.496 billion in budget authority and $7.364 billion in outlays. The Administration's request for the Medical Administration and Miscellaneous Operating Expenses (MAMOE) account is $55.8 million in both budget authority and outlays in fiscal year 1983, an increase of less than $.5 million over fiscal year 1982.

In medical and prosthetic research, the Administration has requested $138 million in both budget authority and outlays, an increase of $9.6 million over fiscal year 1982 levels. Average employment would decrease 199 in fiscal year 1983, to a level of 3,914 full-time employee equivalent.

The Administration's request for the major construction account in fiscal year 1983 is $419 million in budget authority and $398 million in outlays. The requested budget authority represents an increase of $47 million over fiscal year 1982 levels. In the minor construction account, the Administration has requested $192 million in budget authority and $117 million in outlays.

Several administrative initiatives are planned by the Administration. It is proposed that medical care account funds in the amount of $2 million shall be expended to conduct cost-comparison studies in compliance with OMB Circular A-76, to determine the feasibility of private contractual performance of certain hospital activities. These studies would be limited to commercial and industrial type activities not involved in direct patient care, such as painting, grounds maintenance, and medical transcription, and only with respect to hospitals located in large metropolitan areas. The Administration also proposed that the medical care account be reduced by $24 million as the result of administrative action to eliminate beneficiary travel reimbursement payments to all non-service-connected veterans (excluding pensioners and veterans whose annual incomes do not exceed the applicable pension income standards) in nonemergency cases. However, the VA has advised the Committee that it lacks the statutory authority to reduce beneficiary travel payments in this manner.

In the MAMOE account, the Administration is proposing the granting of a $500,000 contract to study the feasibility of collecting fees for user charges for medical services received at VA health-care facilities by non-service-connected veteran beneficiaries who are not in receipt of VA pension. Finally, the Administration's budget proposal does not include any funding in fiscal year 1983 for nurse scholarships under the Veterans' Administration's Health P[illegible]sional Scholarships program as authorized under Public Law 96-[illegible], enacted in August of 1980. The nurse scholarship program was funded in fiscal year 1982 at a level of $4 million.

(*b*) *Committee recommendations*

The Committee accepts the Administration's budget request for the medical care account for fiscal year 1983, but is concerned that the Administration's budget totals for fiscal years 1982 and 1983 might appear to overstate the proposed increase for fiscal year 1983, and that the Administration's fiscal year 1983 budget materials do not accurately reflect the actual funding requirements of that account. The Committee is concerned that, although the Administration's request indicates a $530 million increase in budget authority in fiscal year 1983, the approximately $166 million amount required to fund the October 1981 civilian pay raise—for the costs of which the VA has received a deficiency apportionment—is not reflected in the Administration's fiscal year 1982 budget levels, but is included in the estimate for fiscal year 1983. The result is an overstatement, to the extent of the specific amount of the supplemental appropriations that will eventually be provided to fund the pay raise, of the fiscal year 1983 medical care increase.

The Committee is also deeply concerned about the number of instances in which the VA's Department of Medicine and Surgery (DM&S) is being required, under the Administration's budget, to "absorb" various costs or to "realign" resources to cover the actual costs of providing health care. In fiscal year 1982, for example, DM&S is being required to absorb $58.6 million in increases in house staff stipends, Federal employee benefits, and wage-board salaries. For fiscal year 1983, the Administration has requested only partial funding for the fiscal year 1983 costs of the fiscal year 1982 employee health-benefits and wage-board increases.

Further underfunding pressures on the VA may arise from the assumption of an unduly optimistic average inflation factor of 6.1 percent in the computation of the anticipated increase in cost of nonpersonal services and medical supplies in fiscal year 1983. It is apparent also that the fiscal year 1983 budget request does not reflect any increased costs, estimated by the VA to be approximately $106 million in fiscal year 1983, associated with the enactment last year of the health-care provisions of Public Law 97–72, the Veteran's Health Care, Training, and Small Business Loan Act of 1981.

The Committee is also concerned that the proposed administrative restriction on beneficiary travel reimbursement, projected to save $24 million in the medical care account, has apparently been determined within the VA not to be legally authorized. Accordingly, unless either the Administration amends its budget request or legislation is enacted accomplishing the same restriction, further underfunding pressures within the medical care account will result.

At yet another point, the VA's budget documents recommend the planned conversion of nearly 15,000 beds to the so-called "unit-dose" system in fiscal year 1983—a goal that the Committee believes should be pursued. However, as noted at the Committee's recent hearing on the VA budget, the Administration's budget does not provide for sufficient personnel to accomplish the conversion of more than 3,460 beds. The VA indicated that an attempt will be made to "realign" personnel—that is, to divert personnel resources from other health-care functions—in order to achieve the stated goal.

The Committee is deeply concerned about the effect that these potential funding deficiencies might have on DM&S's ability to provide the levels of health-care personnel necessary for it to support the patient-care workloads set forth in the budget request. As Dr. Donald L. Custis, Chief Medical Director of the VA's Department of Medicine and Surgery stated in response to a question asked of him at the Committee's recent budget hearing: "The extent of our ability to fully fund an average employment level is dependent on several factors. There is a very narrow margin here due to uncertainties with pay raise funding and the inflation rate that affects nonpersonnel costs. We are hopeful that we can meet expected employment levels so as not to reduce the quality and quantity of care available to our Nation's veterans." The Committee is planning to exercise its oversight responsibility to monitor the DM&S staffing situation in order to insure that the VA has the funds necessary to meet the staffing level proposed in the budget.

The Committee accepts the inclusion in the medical care account of $2 million to conduct cost comparison studies in compliance with OMB Circular A–76. The Committee agrees with the VA that the study should be limited to medical facilities located in large metropolitan areas, where the presence of a large number of interested contractors may be expected to aid in the securing of reasonable and competitive bids. Moreover, on the basis of testimony presented at the Committee's hearing on November 5, 1981, on issues concerning Circular A–76, it appears to the Committee that the activities proposed to be studied are in areas that can reasonably be made subject to the terms of A–76 without risk to direct patient care. To the extent that this risk can be avoided, the Committee believes that the Department of Medicine

and Surgery and the entire VA should share in this important Government-wide exploration of possible cost savings to be realized through contracting with the private sector for certain commercial and industrial type activities.

The Committee also accepts the Administration's proposal to contract for a study of the feasibility of user fees for non-service-connected medical care. The Chairman notes that the Administration is proposing to implement, within the Medicaid system, a similar user fee concept calling for patient contributions of between $1 and $2 for each outpatient visit or inpatient day.

The Committee does not accept the Administration's position that no new appropriations should be made in fiscal year 1983 for the nurse scholarship program. Continued funding for this program is essential, primarily because the nursing shortage within the VA medical system remains acute. Of the $4 million necessary to fund this program in fiscal year 1983, the Committee recommends that $2 million be provided through increased MAMOE appropriations in fiscal year 1983 and $2 million be carried forward from fiscal year 1982 under legislation that the Committee will propose to amend the authorizing language in Public Law 96–330 so as to provide that funds appropriated for the scholarship program in a particular fiscal year shall remain available beyond the end of that year.

The Committee also recommends a $10 million increase in fiscal year 1983 appropriations for the medical and prosthetic research amount. In the Department of Housing and Urban Development and Independent Agencies Appropriations Act for fiscal year 1982 (Public Law 97–101), the amount appropriated for this account was $128.2 million, almost 15 percent less than the level originally specified in the conference report on that Act. The VA's research effort is of great importance to the quality of medical care that is provided to veterans. VA research efforts lead to improvements in medical care by the discovery and development of new techniques for diagnosing and treating health problems. Additionally, a well supported program of research helps attract to the system highly qualified personnel, who in turn increase the overall quality and level of health-care personnel staffing. Of the $10 million that is proposed to be added to the President's request for this account, the Committee plans to recommend to the Appropriations Committee that, in order to restore the three major research programs to the proportionate levels at which they are funded in fiscal year 1981, $2 million be designated for rehabilitative research, $0.5 million for health services research, and $7.5 million for medical research.

The Committee proposes that these additions to the budget for the MAMOE and medical and prosthetic research accounts be offset by a corresponding reduction in the major and minor construction accounts in the amount of $12 million, in a manner not specified by the Committee at this time.

3. PROGRAM CHANGES

(*a*) *Administration proposals*

The sole legislative initiative proposed by the Administration is to eliminate the construction and operation of garage and parking facilities revolving fund and to return funding for this program to its for-

mer status, whereby operation and maintenance of garages and parking facilities was budgeted as part of the medical care appropriation, with construction and alteration funded from the construction appropriations. According to the budget request, this legislation would result in increased fiscal year 1983 medical care account costs of $4.7 million in both budget authority and outlays.

(b) Committee proposals

In light of the Administration's announced policy of not charging Federal employees parking fees, the Committee agrees to the Administration's legislative proposal to eliminate the parking facilities revolving fund. The Congressional intent at the time that the legislation establishing the revolving fund (Public Law 96–22) was enacted in 1979 was that the revolving fund should be sustained on an ongoing basis primarily through such fees.

It is the Committee's understanding, in recommending that provision be made for the above-mentioned $4.7 million in medical care account costs for this legislation, that those costs represent, in effect, appropriations that would be needed for the revolving fund in fiscal year 1983 if that fund were to be used for parking facility operation and maintenance purposes in fiscal year 1983, and that the legislation should thus be considered as essentially a no-cost item.

In connection with the proposal set forth in the VA's budget documents to reduce medical care account funding by $24 million as the result of administrative action to reduce reimbursement for non-service-connected beneficiary travel, the Committee notes that the VA has now taken the position that it lacks the authority to reduce such reimbursements administratively. The Committee, therefore, agrees to consider legislation to this effect in achieving its goal of $79.3 million in as yet unspecified legislation savings and/or receipts in fiscal year 1983 (see section III, below).

The Committee notes that it has also included among the potential legislative changes that it will be considering for that purpose a provision to restrict the availability of over-the-counter (nonprescription) medications and medical supplies in connection with non-service-connected outpatient care along the lines recommended by the Committee in May 1979 in S. 1039 and passed by the Senate in June 1979 in H.R. 3892.

D. Mission Four: Veterans' Housing
(Subfunction 704)

1. PURPOSES

The VA provides housing credit assistance to eligible veterans, active duty servicepersons, and certain survivors. The program substitutes the guaranty of the Federal Government, up to a maximum of $27,500 in the case of a house or condominium, for the investment protection afforded by substantial downpayment and shorter terms of loans under conventional mortgages. In a similar fashion, the program also assists those eligible in financing the purchase of mobile homes.

2. ESTIMATED COST OF PROGRAMS AS REQUESTED

During fiscal year 1982, it is estimated that 301,975 loans will be guaranteed, an increase of 114,347 over the total in fiscal year 1981 (187,628). During fiscal year 1983, the Administration estimates that

324,000 loans, an increase of 23,000 over 1982, will be guaranteed. The Administration anticipates that 27 direct loans will be approved during fiscal year 1982 and a like number in fiscal year 1983. The direct loan program revolving fund will increase from the fiscal year 1982 level of $15.5 million to $126.2 million in fiscal year 1983, an increase of $110.7 million, due to discounts to be absorbed by the VA for the sale of direct loans.

3. PROGRAM CHANGES

The Administration has proposed legislation to authorize collection of a funding fee of ½ of 1 percent on all loans guaranteed, insured, or made by the VA. The fee would be collected from all loan guaranty recipients at time of settlement, and is designed to help defray the administrative and operating costs associated with the Loan Guaranty Program. The Administration estimates that, based on an average mortgage amount of $57,000, the average user fee would be approximately $285.

The Committee does not agree to this proposal at the present time. However, the Committee notes that it has included, in the list of potential legislative means of achieving its goal of $79.3 million in unspecified fiscal year 1983 legislative savings and/or receipts, consideration of legislation along the lines of this Administration proposal—but with the receipts to be deposited in the loan guaranty revolving fund and with other possible modifications exempting, for example, all service-connected disabled veterans, or all service-connected veterans and all wartime veterans.

E. Mission Five: Other Veterans' Benefits and Services (Subfunction 705)

1. PURPOSES

The major account under Mission 5 is the general operating expenses account (GOE), which funds the administration of nonmedical benefits through the Department of Veterans' Benefits, operation and maintenance of 141 national cemeteries by the National Cemetery System, data processing and communications systems through the Department of Data Management, and top managerial direction and support through agency-level staff offices. In addition, subfunction 705 includes moneys for the American Battle Monuments Commission, an independent agency, and certain other funds under the Committee's jurisdiction.

2. ESTIMATED COST OF PROGRAMS AS REQUESTED

The Administration's fiscal year 1983 request for mission five is $704 million in budget authority, of which $693 million is for general operating expenses, and $702 million in outlays, of which $691 million is for general operating expenses.

3. PROPOSED CHANGES

The Administration has proposed two relatively minor legislative changes that would have an impact on the general operating expenses account in fiscal year 1983. One would eliminate, with regard to voca-

tional objective courses, the requirement for inspections to insure that 50 percent or more of the former veteran participants are employed in the field of their training. The Administration projects cost savings associated with this measure of $223,000 in fiscal year 1983. The other provision would permit the VA to contribute to construction projects on non-federally owned land adjacent to and facilitating safe access to national cemeteries, at a cost in fiscal year 1983 of $100,000. The Committee agrees to a funding level that would permit the Committee to consider both of these proposals.

III. Unspecified Legislative Savings

The specific legislative cost-savings measures recommended by the Committee in section II, above, represent total estimated cost savings of $70.7 million out of the total of $150 million in legislative savings that the Committee has agreed to recommend for fiscal year 1983. The remaining $79.3 million—the unspecified savings component of the Committee's proposal—would be achieved through a combination of measures derived from some or all of the items in the following recommended list or others that may be proposed: (1) Eliminating the compensation "Q" award now paid by virtue of a 1968 "grandfathering provision" (section 4(b) of Public Law 90–493), to veterans with arrested, asymptomatic tuberculosis and no schedular service-connected disability rating for that condition; (2) placing a "user fee" on the VA home loan guaranty program, along the lines of the Administration proposal, but with the receipts to be deposited in the loan guaranty revolving fund and consideration of an exemption from the fee requirement for all service-connected disabled veterans or for all service-connected veterans and wartime veterans; (3) phasing out, as the Administration has proposed, pension benefits paid on behalf of dependent student-children of non-service-connected veterans enrolled in postsecondary education programs; (4) limiting the fiscal year 1983 cost-of-living increases in compensation dependent's allowances; (5) restricting the availability of over-the-counter medications and medical supplies in connection with non-service-connected outpatient care along the lines recommended by this Committee in May 1979 in S. 1039, and passed by the Senate in June 1979 in H.R. 3892; (6) restricting beneficiary travel benefits for non-service-connected veterans who are able to defray the cost of travel, as initially recommended by the Administration to be done administratively; and (7) eliminating the outpatient dental care eligibility that was provided by a 1979 amendment (section 102(b) of Public Law 96–22) to section 612 of title 38 to veterans whose 100-percent disability ratings are due to individual unemployability determinations.

IV. Shared Accounts

A. Accounts Shared With Committee on Labor and Human Resources

The Committee on Veterans' Affairs shares jurisdiction with the Committee on Labor and Human Resources over four accounts totaling, for fiscal year 1983, $372.95 million in budget authority and $370.8 million in outlays in Function 500 (Education, Training, Employment, and Social Services). First, the Departmental Management

"Salaries and Expenses" account includes funds for the activities of the Assistant Secretary of Labor for Veterans' Employment, who serves as the principal advisor to the Secretary of Labor with respect to veterans' employment issues. This account also includes funding for the Veterans' Employment Service (VES) which provides direction to State employment service operations with respect to veterans, including assessment, outreach, employability training, counseling, testing, job placement, and followup.

Second, the Employment and Training Administration (ETA) "Grants to States for Unemployment Insurance and Employment Services" account provides funds for a nationwide network of more than 2,400 local employment offices that provide assistance, with a special emphasis on service to veterans, to persons seeking employment.

The third account of shared jurisdiction is the "Salaries and Expenses" account for the Labor-Management Services Administration (LMSA), which includes funds for the administration of the veterans' reemployment rights program. LMSA provides assistance to veterans, reservists, and National Guardsmen on training duty in securing reinstatement with their preservice employers and other employment advantages to which they may be entitled based on seniority accrued while in military service.

The fourth account is the Employment Standards Administration (ESA) account, "Salaries and Expenses," which contains funds for activities to eliminate discrimination in employment, including the administration by the Office of Federal Contract Compliance Programs of section 2012 of title 38, providing for affirmative action by Federal contractors and subcontractors to employ and advance in employment service-connected seriously disabled veterans and veterans of the Vietnam era.

The Committee accepts the President's recommendations for those accounts.

B. Accounts Shared With Committee on Banking, Housing, and Urban Affairs

The Committee shares jurisdiction over the Participation Sales Fund account with the Committee on Banking, Housing, and Urban Affairs with regard to the use of the Fund for veterans' housing program purposes. The Participation Sales Fund, initiated in 1967 under the National Housing Act, was intended to facilitate the financing of mortgages and other loan obligations owned by Government agencies such as the VA and the Federal Housing Administration. However, Fund activity since 1968 has not been substantial. Under the authority provided by the National Housing Act, the various agencies pledge their loans in trust to the Fund, and interest-bearing participation certificates, collateralized by the interest and principal collections from assets, are sold to private investors. Revenues from the sale of such certificates are paid to the various agencies, which are also required to make up for any Fund insufficiencies either by appropriations or by unobligated balances.

Payments to the Fund for insufficiencies, which are primarily caused by the fact that the interest rates on the certificates are higher than on the underlying assets, represent an outlay to the agency involved. For fiscal year 1983, the VA's outlays for the Participation Sales Fund are estimated at $29.5 million. The Committee accepts that estimate.

APPENDIX

Appendix to Senate Committee on Veterans' Affairs March 8, 1982, Report of Budget Views and Estimates for Fiscal Year 1983

SENATE COMMITTEE ON VETERANS' AFFAIRS STAFF ESTIMATES OF FUNCTION 700 FOR FISCAL YEARS 1984 THROUGH 1987

In a February 8, 1982, letter, the Chairman and Ranking Minority Member of the Senate Budget Committee requested the Veterans' Affairs Committee to provide certain information on directions beyond fiscal year 1983 of the programs within the jurisdiction of the Veterans' Affairs Committee. Thus, the Committee has directed its majority and minority staff to prepare and submit, as an attachment to that report, staff estimates of cost projections for Function 700 (Veterans' Benefits and Services) for fiscal years 1984 through 1987. Those cost projections and the major assumptions on which they are based appear below.

Before stating those projections and assumptions, however, the Committee staff would like to emphasize that they have no way of determining with any accuracy the legislative initiatives that might be proposed and enacted during the 4 years in question, that $79.3 million of the Committee's proposed $150 million total legislative savings for fiscal year 1983 are as yet unspecified, that the Administration's current long-range plans for the construction of health-care facilities and for health-care workloads appear to be very tentative, and that it is always extremely difficult ot make realistic assessments of caseloads in the GI Bill and pension programs for even a 1-year period. Therefore, projections of the costs of readjustment and pension benefits over a 5-year period must be viewed as very tenuous.

With those reservations, projections have been made primarily on the basis of the following assumptions: First, there will be no major conflicts involving our Armed Forces during the next 5 years; second, the legislative proposals discussed in the Committee's report will be acted upon in the manner reflected in tables 1 and 2 of that report; third, appropriations for fiscal year 1983 will be provided as recommended in the report; fourth, compensation benefits will be increased each year by amounts in line with increases in the Consumer Price Index; fifth, it is impossible to determine with any precision the costs of new GI Bill legislation that the Congress may enact and it is unlikely that any such legislation would entail substantial VA expenditures (since the VA's role would probably be administrative only, with the Department of Defense providing the funding for the benefits payments); and sixth, the VA will expand, replace, and modernize

its medical and other facilities at a pace enabling it to correct existing deficiencies, to replace or modernize outmoded facilities, and to stay abreast of technological developments.

FUNCTION 700—VETERANS' BENEFITS AND SERVICES [1]

[In billions of dollars; fiscal years]

Mission	1984	1985	1986	1987
Budget authority:				
Mission 1—Income security for veterans [2]	15.5	16.5	17.4	18.5
Mission 2—Veterans' education, training, and rehabilitation [3]	1.4	1.2	1.0	.9
Mission 3—Hospital and medical care for veterans [4]	9.1	9.9	10.9	11.8
Mission 4—Other benefits and services [4]	.7	.7	.7	.7
Deduct, unspecified fiscal year 1983 legislative savings [5]	−.1	−.1	−.1	−.1
Total, function 700	26.6	28.2	29.9	31.8
Outlays:				
Mission 1—Income security for veterans [2]	15.2	16.3	17.2	18.4
Mission 2—Veterans' education, training, and rehabilitation [3]	1.3	1.0	.9	.8
Mission 3—Hospital and medical care for veterans [4]	9.0	9.9	10.9	11.8
Mission 4—Other benefits and services [4]	.7	.7	.7	.7
Deduct, unspecified fiscal year 1983 legislative savings [5]	−.1	−.1	−.1	−.1
Total, function 700	26.1	27.8	29.6	31.6

[1] Assumes no legislative changes other than those proposed for fiscal year 1983 in the committee's report and annual compensation cost-of-living increases. Thus, for example, the costs to the Veterans' Administration of any new GI bill legislation and the costs of any cost-of-living increase in the current GI bill are not reflected.

[2] Based on CBO projections for current law, annual compensation cost-of-living increases, and the committee's proposed specified legislative savings.

[3] CBO current law projections.

[4] Based on VA outyears projections (pp. 23-30 through 23-33, of vol. III, "Summary", of the VA budget submission) increased by CBO-assumed GNP deflator.

[5] Committee staff projections of the committee's proposed unspecified legislative savings level.

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